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DEPARTMENT OF STATE A/CDC/MR
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1. CAB, with Dept concurrence, has approved show cause order referring to Alitalia application for permit renewal and setting forth tentative Board determination that Alitalia permit be amended to require Alitalia to file its schedule of services to US points with CAB for approval. Show cause order will be issued Oct 13. Dept will confirm to Embassy when order issues and will airpouch copy.

2. Assistant Secretary Solomon informed Minister Terruzzi (Ambassador Ortona out of town) on Oct 12 that show cause order to be issued, and made following points:

(a) CAB action is primarily in implementation of Federal Aviation Act. We did not ~~x~~ want to take action on permit immediately after agreement terminated since we shared view with Italians that there should be QTE cooling-off period UNQTE. (See Solomon-Ortona memcon of June 19.) However, we feel we must now take this administrative step. Basic purpose of

(3)

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Clearances:
EUR/AIS - Mr. Stabler (in draft)
E/TT - Mr. Loy
E - Mr. Solomon

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condition proposed in show cause order is, in absence of agreement, to place USG on equal footing with GOI. At present GOI requires US carriers to file schedules for approval whereas Alitalia not now required seek USG approval for its frequencies.

(b) At same time Terruzzi was told that there is considerable resentment in US that GOI rejected recent PAA and Seaboard frequencies and on other hand is permitting Alitalia to increase its frequencies. Decision to begin CAB proceedings was influenced by Italian restrictions. It was strongly suggested to Terruzzi that Italy should either reconsider approving frequencies requested by US carriers or alternatively Alitalia should be advised by GOI not inaugurate its frequencies. (It was made clear to Terruzzi that regardless of whether or not GOI reconsidered its position on our requests, show cause proceeding would go forward.)

3. For Embassy's background information show cause order expected to give Alitalia until Nov 1 to file objections to proposed amendment of its permit. If no objections filed, CAB will then proceed to approve order amending permit. If objections filed, CAB will consider opposition presented before reaching decision. CAB may schedule hearing unless it determines that there are no factual issues warranting holding of evidentiary hearings. Alitalia services can continue uninterrupted during course of proceedings. When amended

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permit issues, Alitalia will be instructed to file its schedules for approval.

4. Since Terruzzi may not be able report information accurately, we believe ~~Mexxxx~~ useful for Embassy to make sure GOI understands nature and purpose of show cause order as described above.

5. FOR LISBON: This administrative action will not affect Alitalia permit to provide air services for TAP operations to ~~MW~~ New York.

END

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